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SUBJECT: China/G-20: Six Wants, Two Don't Wants, and a Concern

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¶1. Summary. According to the British Embassy official responsible for engaging China in preparation for the G-20 summit, China hopes to support initiatives designed to promote growth, combat protectionism, help low-income countries, reform international financial institutions, encourage financial regulation, and institutionalize a leaders' summit. They oppose language on macroeconomic imbalances and climate change. Beijing is concerned about the new U.S. Administration's perceived lack of engagement with them on summit preparations. End summary.

¶2. (SBU) The British Embassy's Economic and Trade Policy Counselor explained China's approach to the London G-20 Summit to Econoff and Deputy Finatt at a March 4 breakfast. He detailed China's six objectives, two initiatives Beijing opposed, and one area of concern in the lead up to the summit.

Support: Growth, Trade, LDCs, IFIs, Regulation, G-20

¶3. (SBU) Real Growth: According to the British Counselor, Beijing's primary objective at the London summit is to send a positive signal to the markets that the major economies are willing and able to take action to resolve the global financial crisis. The Chinese would like the summit to restore confidence in both financial markets and the real economy.

¶4. (SBU) Anti-protectionism: China would like a firm commitment against protectionism. They are willing to explore an enhanced WTO arrangement, including a reengagement of the Doha Round. The Counselor was uncertain, however, if this could translate into a change in China's Doha positions.

¶5. (SBU) Less-developed Countries: Beijing, which views itself in part as a valid voice for the developing world, would like initiatives to come out of the summit which protect the interests of and assist less-developed countries.

¶6. (SBU) Reform of the IFIs: Beijing is interested in reform of the international financial institutions. The Chinese are especially concerned with the question of enhancing International Monetary Fund (IMF) surveillance of developed countries. They might be willing to increase their contributions to the Fund. Beijing would like

membership in the Financial Stability Forum (FSF) before the summit. The Counselor stated that China was not pushing for reform of the World Bank, except in terms of governance reform.

¶17. (SBU) Financial Sector Regulation: Beijing is pushing for enhanced regulation of the financial sector in developed countries. In this context, the Chinese are still firmly committed to the idea that inadequate regulation of financial activities in the developed world was exclusively to blame for the global financial crisis.

¶18. (SBU) G-20 Future: Beijing is extremely interested in the future of the G-20. They would like to see some sort of institutionalized forum for dealing with financial issues, although are not convinced the G-20 is the correct body.

Opposed to: Blaming Imbalances, Climate Change

¶19. (SBU) Blame: The Counselor stated that Beijing is adamant that the summit not dwell on the causes of the global financial crisis, but rather look forward towards solutions. They are particularly sensitive to any attempt to apportion publically some of the blame for the crisis to Chinese macroeconomic imbalances.

¶10. (SBU) Green Development: Beijing does not want to include language endorsing green recovery or other climate change initiatives. The Chinese are concerned that such

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measures could be used to pressure China.

Concerned About: Washington Engagement

¶11. (SBU) According to the British Counselor, Beijing has expressed concern about the new U.S. Administrations' lack of engagement on the preparations for the summit.

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